

BIRCH BAY WATER AND SEWER DISTRICT
Whatcom County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. The District Should Account For And Provide Documentation To Support All Business Transactions

During our audit, we noted the district had purchased a new jet truck. The negotiation for the purchase was handled by the district's wastewater manager under the supervision and approval of the district manager. The final price agreed upon was \$71,300 which included the delivery of the vehicle to Blaine, Washington. This agreement was not presented to the board in a public meeting, although the board had approved a budget line item, which covered the price of the new truck and the actual voucher payment.

The wastewater manager later negotiated a deal with the vendor to pick up the truck at the plant in Cummings, Georgia. The vendor was responsible for providing \$1,900 for the wastewater manager to fly down to the vendor's plant and drive the vehicle back to the district. District management authorized the travel time expended by the wastewater manager to complete the trip and paid him his regularly scheduled salary for the seven working days he was gone. Since the wastewater manager was paid his regular wage while he performed this district function, all money received and expended should have been accounted for and reported by the district.

After the trip was over, the wastewater manager did not complete a travel voucher and did not provide documentation to support the receipt and use of the \$1,900 paid to him by the vendor. The wastewater manager has claimed the trip took him ten days and the \$1,900 provided went to defray the costs of a 3,500 mile trip. According to the American Automobile Association (AAA), the shortest route from Cummings, Georgia to Blaine, Washington is approximately 2,800 miles. Based on the following calculations, the trip should have been completed in seven days: $(2800 \text{ miles} / 55 \text{ mph}) / 8 \text{ hours per day} = 6.36 \text{ days}$, plus time allowed for plane travel to Georgia equals approximately seven days). According to a summary of estimated expenses supplied by the wastewater manager, the costs he incurred from the trip include the following: \$350 in airfare to Cummings, Georgia; \$350 in meals; \$675 in lodging and \$390 in fuel costs. These approximations include costs incurred by his wife, who accompanied him on his trip.

During our review of this process, we noted the following problems:

- a. The final agreement and subsequent agreements were not presented to the board of commissioners during an open public meeting.
- b. The payment for picking up the vehicle was paid directly to the wastewater manager instead of the district. Also, the amount received exceeded the actual costs allegedly incurred by the wastewater manager, according to a breakdown of the costs provided by the wastewater manager.

- c. The wastewater manager was not required to complete a travel voucher and provide the district documentation to support claimed costs: for a) the purchase of an airline ticket, b) fuel purchases for the district's vehicle, c) actual meal purchases, or d) lodging costs. Without this support, the most the district could provide for travel costs would be their own rate of \$100 per diem which covers daily meals and lodging.
- d. The costs claimed by the individual included costs for meals and lodging for the wastewater manager's wife.
- e. According to the American Automobile Association (AAA), the shortest route, along interstate highways from Cummings, Georgia to Blaine, Washington is approximately 2,800 miles. The route selected by the wastewater manager exceeded AAA's suggested route by 700 miles.
- f. The wastewater manager was an integral part of the negotiation process and received a benefit in the form of the excess funds received over his actual allowed costs for the trip.

The following laws apply.

The *Constitution of the State of Washington* Article VIII, Section 7, states in part:

No . . . municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual . . .

The *Constitution of the State of Washington* Article XI, Section 15, states in part:

All moneys . . . belonging to or collected for the use of any . . . public or municipal corporation, coming into the hands of any officer thereof, shall be immediately deposited with the treasurer . . .

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours.

RCW 42.24.150 states in part:

On or before the fifteenth day following the close of the authorized travel period for which expenses have been advanced to any officer or employee, he shall submit to the appropriate official a fully itemized travel expense voucher, for all reimbursable items legally expended, accompanied by the unexpended portion of such advance, if any.

RCW 42.24.150 further states:

Any advance made for this purpose, or any portion thereof, not repaid or accounted for in the time and manner specified herein, shall bear interest at the rate of ten percent per annum from the date of default until paid.

RCW 42.30.010 states in part:

The Legislature finds and declares that . . . all other public agencies . . . exist to aid in the conduct of the people's business. It is the intent . . . that their actions be taken openly and their deliberations be conducted openly . . . "Action" means the transaction of the official business of a public agency by a governing body

By not having the commissioners give public approval of the contract, including the final agreed amounts and the method of delivery, the district did not conduct business before the district's citizens in an open public meeting.

District management allowed the vendor to pay a delivery fee directly to the individual responsible for negotiating the purchase and delivery method of the truck. Furthermore, management did not require a fully itemized travel voucher or a detailed accounting of the use of those funds or the mileage generated on the truck. These actions by management resulted in a benefit to the wastewater manager in the form of excess funds received and nondistrict use of the vehicle.

We recommend the district:

- a. Present all contracts for approval by the board of commissioners during open public meetings.
- b. Require all payments to district employees for the district's benefit be deposited in the district's accounts.
- c. Require all employees to complete a travel voucher and provide supporting documentation for district business. Furthermore, for all travel, the district should ensure unused funds in excess of all travel advances be promptly returned to the district.
- d. Inform district personnel that costs associated with a spouse accompanying them on business trips cannot be claimed for reimbursement.
- e. Require the employee to reimburse the district for the difference in the miles driven on the district's new jet truck and the shorter delivery route miles. We also recommend the district require the employee to repay the district the excess of funds received over his actual allowed costs for the trip or support the expenses actually incurred.
- f. Require proper oversight of all contractual negotiations to ensure employees do not receive a benefit from their position.